

TITLE 345 INDIANA STATE BOARD OF ANIMAL HEALTH**Economic Impact Statement**

LSA Document #14-57

IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses

The proposed rule governs the traceability of livestock and poultry moving interstate and intrastate. Animal traceability refers to the ability to document the history of an animal's movements in space and time. This information is critical in the presence of a disease outbreak that threatens food safety and animal and human health. Knowing where animals have been provides necessary information regarding their possible exposure to a disease or their exposure of other animals to the disease. Appropriate action can then be taken to contain the disease.

The primary purpose of the proposed rule is to conform the Indiana State Board of Animal Health's (BOAH) rules to the new United States Department of Agriculture - Animal and Plant Health Inspection Service (USDA-APHIS) requirements at 9 CFR Part 86. These are the federal regulations that establish minimum national official identification and documentation requirements for the traceability of livestock and poultry moving interstate. These requirements include officially identifying covered animals and moving animals with a certificate of veterinary inspection (CVI) or other documentation. The rule also clarifies identification and documentation requirements for animal moving intrastate.

1. Description of Affected Industry

BOAH estimates that there are approximately 45,500 livestock and poultry farms, 130 livestock markets, 79 state-inspected processing plants, 10 rendering facilities, and 904 Category II accredited veterinarians with an Indiana address that will be affected by the rule. The estimated number of farms was obtained from the USDA National Agriculture Statistic Service (USDA-NASS) 2007 Ag Census.¹ Please note that the 2012 data is not available until May 2014. For purposes of the Census, a "farm" is defined as any place from which \$1,000 or more of agricultural products were produced and sold, or normally would have been sold during the census year. A classification by industry sector is presented in the table below.

2007 Census Volume 1, Chapter 1: State Level Data - INDIANA	# Farms	# Animals
Cattle and Calves Inventory	18,483	875,350
Hogs and Pigs Inventory	3,420	3,669,057
Sheep and Lambs Inventory	1,968	49,021
Horses and Ponies Inventory	12,254	81,155
Goats, all Inventory	3,385	47,090
Poultry		
Layers Inventory	3,583	24,238,513
Pullets for laying flock replacement inventory	519	6,928,062
Broilers and other meat-type chickens sold	594	5,536,933
Turkeys Inventory	498	5,971,548
Ducks Inventory	793	1,538,664
Source: Accessed 4/22/14		

BOAH has worked extensively to involve these regulated entities in the development of the rule. For example, BOAH has developed and distributed flyers for each species explaining how the proposed rule would change identification and documentation requirements. Over the past few months, these flyers have been provided at annual meetings of each livestock industry group. BOAH veterinarians have attended these meetings and conducted presentations explaining the proposed changes. BOAH also has an informal, "virtual public hearing" webpage where interested parties can submit comments. The affected industry includes small businesses under the definition at [IC 4-22-2.1-4](#).

2. Estimated Annual Reporting, Record Keeping, and Other Administrative Costs

The rule does include additional record keeping requirements for regulated entities. Specifically, the BOAH is removing the CVI requirement for intrastate movement of cattle and substituting a record keeping requirement which requires the seller, lessor, or owner and the purchaser, lessee, or recipient to maintain a record of the transaction for five years. However, this change actually reduces a compliance cost for these individuals because they no longer must pay a veterinarian to complete a CVI for this movement.

The rule also requires livestock markets to submit a biweekly report for animals that come to their market from out of state and do not move directly to slaughter. This change does not increase an administrative cost to

the markets because they are already required to maintain this information. The change merely requires them to submit the information to the board so it is available to facilitate rapid tracing of an animal in an investigation. The BOAH will provide an option to submit this information electronically without a fee to the licensee.

The rule also extends record retention requirements from three years to five years for CVIs and other movement documentation for certain species to align with the federal regulations. However, because the CVIs must already be maintained, the requirement to maintain certain documents for two more years does not impose a significant administrative cost on veterinarians or markets. The rule requires veterinarians to submit CVIs within seven days of completion versus 30 days under the current rule. Similarly, this is a function that is already being done, so the agency does not anticipate that shortening the time frame in which this document must be submitted to comply with federal law will increase the administrative costs associated with this requirement. It is also important to emphasize that BOAH recently launched their electronic CVI system, which is a free service that will ease the burden of compliance by assisting veterinarians in meeting the shorter time frame.

The proposed rule requires state-inspected processing plants and rendering facilities to remove and collect official ear tags from animals they receive and make them available to the state veterinarian or a federal official. Devices collected at slaughter must be correlated with the animal and carcass through final inspection or condemnation. Although this change does impose an additional record keeping requirement on these facilities, it is important to emphasize that it completely reflects what is required under the federal traceability rule.

3. Estimated Total Annual Economic Impact on Small Businesses

The proposed rule expands the number of animals moving into the state that must bear official identification, particularly in the cattle industry. For example, under the federal rule all female dairy calves and dairy steers moving into the state must be officially identified. In 2013, there were 84,641 cattle moved into the state. BOAH has made a determination that a conservative estimate is that approximately half of these animals are female dairy calves and dairy steers.

The cost of an official ear tag ranges from \$0.22 - \$2.50 per tag. A producer is able to choose which tag best suits their operation. Assuming that all producers choose the least expensive tag, BOAH calculates the estimated annual cost of compliance for the new interstate identification requirements to be approximately \$9,311. Alternatively, if you calculate the cost under the most conservative estimate that all of the 84,641 cattle are female dairy calves and steers, the annual cost of compliance would be approximately \$18,621. If all producers choose the most expensive tag under the most conservative estimate, the estimated annual cost of compliance would be \$211,602.

It is important to emphasize that this is a federal requirement and that this cost completely reflects what is necessary for a producer to comply with federal law. Although the rule does make some minor changes to identification requirements for sheep, these producers have the option to obtain ear tags at no cost through the federal scrapie program.

The proposed rule expands the number of animals moving within the state that must bear official identification, particularly in the cattle industry. Specifically, the proposed rule aligns the types of cattle that must be officially identified for purposes of intrastate movement with the federal rule. As stated above, the cost of an official ear tag ranges from \$0.22 - \$2.50 per tag. However, it is important to emphasize that this change is being made in conjunction with the removal of the CVI requirement for purposes of intrastate movement. The board is removing the CVI requirement for intrastate movement of cattle and substituting a record keeping requirement which requires the seller, lessor, or owner and the purchaser, lessee, or recipient to maintain a record of the transaction for five years. This change actually reduces a compliance cost for these individuals because they no longer must pay a veterinarian to complete a CVI for this movement. The BOAH estimates the cost of have a veterinarian prepare a CVI to be in the range of \$50 - \$75. Therefore, this change presents a cost savings to cattle owners of up to \$49.78 because they can apply the least expensive ear tag and maintain the necessary records instead of having to pay for the preparation of a CVI.

4. Justification of Requirements

a. Compliance with Federal Law

The proposed rule is necessary to implement a federal mandate. The state must ensure that its identification and documentation requirements for movement of livestock and poultry into the state align with the federal rule at 9 CFR Part 86. Indiana's livestock and poultry producers rely on the BOAH to ensure that all identification and documentation requirements align with federal standards. If the requirements are inconsistent with these standards, it may jeopardize their ability to move their animals in commerce interstate or internationally. BOAH's traceability program is subject to periodic tests by USDA-APHIS to ensure that the staff can quickly trace an animal's movements in order to demonstrate the state's ability to contain a disease of concern to animal or human health. If the appropriate intrastate identification and documentation requirements are not in place, it compromises the ability to successfully complete a trace investigation in accordance with federal standards.

BOAH does not impose any requirements with regard to animals moving into the state that are more

stringent than 9 CFR 86. However, pursuant to the federal standards, the state veterinarian has made a determination that Indiana will not enter into agreements with other states to accept brands and registration tattoos as official forms of identification for cattle. Many states have made a similar decision because, if states continue to recognize brands and tattoos as official identification, it presents a risk to the long-term viability of the US cattle industry due to the inability to trace animals with these forms of identification.

b. Compliance with State Law

BOAH is also responsible under state law to control the movement of animals into or within the state and develop programs for the identification of animals to facilitate the prevention of disease. In order to carry out this duty, it is critical that the board periodically update its rules to ensure that they align with federal standards and incorporate the latest technologies.

c. Justification of Intrastate Requirements Not Mandated by Federal Law

Although the primary purpose of the rule is to update interstate identification and documentation requirements, it also clarifies and makes minor changes to intrastate movement requirements. As discussed above, it expands the types of cattle moving within the state that must bear official identification and removes brands and registration tattoos as approved forms of official identification. The board has made a determination that these changes are necessary because, if the appropriate intrastate identification and documentation requirements are not in place, it compromises the ability to successfully complete a trace investigation.

If the BOAH does not proceed with this proposed rule, it will have the following negative consequences for the regulated community:

- Lack of compliance with the federal law will compromise Indiana producer's opportunities to participate in interstate and international commerce.
- Continued use of poor animal identification methods will lessen the BOAH's ability to effectively trace animals that may have been exposed to a disease of concern and/or may have exposed others.
- Poor traceability during a high consequence disease event will lead to outbreaks of longer duration, as diseased and exposed animals will not be rapidly found and quarantined, harvested or destroyed.
- Inability to achieve rapid containment makes animal disease outbreaks more costly and an increased threat to animal and human health.

The preliminary report of the 2012 Ag Census contains estimates for livestock and livestock product sales for Indiana. The estimated value for Indiana annual sales of all livestock, poultry and their products is over 4 billion dollars (\$4,342,130,000).² This is a considerable amount of revenue at increased risk if BOAH does not have adequate ability to trace potentially infected or exposed animals.

5. Regulatory Flexibility Analysis

Because federal law requires that the BOAH rules be at least equal to federal standards, BOAH did not consider any less costly alternative methods to achieving the purpose of the proposed rule with regard to interstate movement. However, BOAH did consider less costly alternative methods to achieving the purpose of the proposed rule with regard to intrastate movement.

The proposed rule aligns forms of official identification for cattle and the types of cattle requiring identification for purposes of intrastate movement with the federal requirements. The BOAH did consider the alternative of continuing to allow cattle to move within the state with other forms of identification, such as brands or tattoos, and establishing different criteria for which types of cattle needed to be identified. However, after involving regulated entities, the board made a determination that it would ease the burden of compliance for the industry to have consistency between the intrastate and interstate requirements. BOAH also considered retaining the current intrastate CVI requirement. However, BOAH decided to eliminate the requirement and replace it with a record keeping requirement. This decision was made in order to reduce a compliance cost to the regulated community while also ensuring that producers maintain information that is critical to achieving rapid containment of a disease during a high consequence disease event.

The proposed rule does require livestock markets to submit a biweekly report for animals that come to the market from out of state and do not move directly to slaughter. The BOAH did consider a less stringent reporting requirement for markets to provide this information. However, the biweekly report time frame was chosen after considering several factors. First, it is important to consider that this reporting requirement is necessary because these are animals that came into the state without a CVI. If this reporting requirement is not put in place, the BOAH will not have readily accessible information regarding these animal movements in the database, which could severely compromise a trace investigation. Second, the need for this information in a similar time frame as the seven day submission requirement for CVIs was balanced against the practicality for the business in compiling this information. After balancing these two interests, the BOAH made a determination that biweekly submission would simplify reporting for the small businesses involved while also ensuring that the BOAH obtains timely information that is critical to facilitate disease control. The BOAH will provide an option to submit this information electronically without a fee to the licensee.

¹ US 2007 Census of Agriculture - Full Report

http://www.agcensus.usda.gov/Publications/2007/Full_Report/Volume_1,_Chapter_1_US/usv1.pdf

² US 2012 Census of Agriculture - Preliminary Report

http://www.agcensus.usda.gov/Publications/2012/Preliminary_Report/Full_Report.pdf

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